LIMITED REVIEW OF
CONTRACT ADMINISTRATION
TASK ORDER NUMBER P1102MA0249
REPORT NUMBER A040089/P/W/R05005
March 30, 2005
Date: March 30, 2005

Reply to: Regional Inspector General for Auditing
Attn of: Washington Field Audit Office

Subject: Limited Review of Contract Administration
Task Order Number P1102MA0249
Report Number A040089/P/W/R05005

To: Donald C. Williams
Regional Administrator, National Capital Region

This report presents the results of our limited review of contract administration in the Potomac Service Center. After an initial assessment of seven task orders, we focused our review on a single procurement action for anthrax remediation services. Taking into account the urgent and extraordinary nature of this procurement, we remain concerned that contract administration deficiencies compromised key elements of control over payment for services. Additionally, we offer as a “lesson learned”, that procuring such emergency services under a Federal Supply Schedule Multiple Award Schedule, limited procurement flexibility and eliminated desirable cost safeguards. As such, we recommend that the Public Buildings Service, National Capital Region task a team of program experts and procurement officers to create a template acquisition plan applicable to potential emergency procurements.

If you have any questions regarding this report, please contact myself or Paul Malatino, Regional Inspector General for Auditing, at (202) 708-5340.

Barbara E. Bouldin
Audit Manager
Washington Field Audit Office (JA-W)
# TABLE OF CONTENTS

## EXECUTIVE SUMMARY
- Purpose ......................................................................................................................... 1
- Background .................................................................................................................... 1
- Results-in-Brief .............................................................................................................. 1
- Recommendation ........................................................................................................... 1

## INTRODUCTION
- Background .................................................................................................................... 2
- Objective, Scope and Methodology .................................................................................. 2

## RESULTS OF REVIEW
- Task Order History ......................................................................................................... 4
- Lesson Learned ................................................................................................................ 4
- Other Findings ................................................................................................................ 4
  - Payments to Versar Exceeded Task Order Value ......................................................... 5
  - No Price Reasonableness Determination for Non-Schedule Items ............................. 5
  - Versar Paid for Work Beyond Task Order Defined Period of Performance ............ 5
  - Undated, Multiple Revisions to Statement of Work .................................................... 5
  - Required Documentation Absent in Contract Files ..................................................... 6
- For Consideration ........................................................................................................... 6
- Recommendation .......................................................................................................... 7
- Management’s Comments ............................................................................................... 7
- Management Controls .................................................................................................... 7

## APPENDICES
- Task Order History ....................................................................................................... A-1
- Management’s Response to Draft Report ........................................................................ B-1
- Report Distribution ......................................................................................................... C-1
EXECUTIVE SUMMARY

Purpose
This review responded to a complaint received regarding contract administration in Potomac Service Center (Potomac), an operating unit of the Public Buildings Service in the National Capital Region. After an initial assessment, we focused our efforts on a single procurement action, a task order issued to Versar, Inc. (Versar) in support of anthrax remediation. This task clearly met the criteria for unusual and compelling urgency (FAR 6.302-2); however, based upon our preliminary review, documentation appeared deficient. As refocused, this limited scope review offers a “lesson learned” applicable to future emergency procurements. It also points out several contract administration matters.

Background
In October 2001, Remote Delivery Site Building 410 at the Anacostia Naval Station was infected with anthrax, a malicious and potentially deadly attack testing GSA’s ability to respond to an emergency event with national security implications and concentrated media coverage. This Remote Delivery Site handled the mail for the Executive Office of the President (EOP) and other government agencies. During this period, other federal facilities were also dealing with anthrax infection and remediation. The Environmental Protection Agency (EPA) recommended that GSA consider the cutting-edge vaporized hydrogen peroxide remediation method employed by Versar, Inc. Potomac awarded a task order to Versar on May 16, 2002 under the Versar Federal Supply Schedule Multiple Award Schedule (MAS) contract. Although decontamination of the Remote Delivery Site was complete in October 2002, confirmatory testing and mail transport scope of work additions were made as late as June 2004.

Results-in-Brief
Having taken into account the urgent and extraordinary nature of a requirement for anthrax remediation in a facility that processes White House mail, we nevertheless remain concerned that deficiencies in contract administration have compromised some key elements of control over payment for services. In addition, the initial determination to utilize an FSS schedule contract limited procurement flexibility as well as the ability to employ certain cost safeguards especially desirable in the event of a quickly unfolding emergency.

Recommendation
We recommend that the Assistant Regional Administrator for Public Buildings Service, National Capital Region:

- Task a team of program experts and procurement officers to create a template acquisition plan applicable to emergency acquisitions. Discussion should include evaluation of alternative contract types, funding options, documentation requirements, project cost management, vendor’s cost reporting responsibilities, etc.
INTRODUCTION

Background
The Office of Inspector General (OIG) received a complaint outlining contract administration deficiencies in the Potomac Service Center (Potomac), an operating unit of the Public Buildings Service (PBS) in the National Capital Region (NCR). The complaint alleged that: 1) non-authorized procurement actions occurred without the benefit of a contract, task order, scope of work, independent government estimate, or funding, 2) pricing of non-schedule items was not negotiated, 3) the number of procurement staff was insufficient, and 4) management did not support procurement regulations. In response to these allegations, the OIG initiated an unplanned review of contract administration within Potomac.

Initially, the OIG reviewed seven task orders to arrive at a preliminary assessment of the allegations. We communicated the results of that review and provided a fact sheet to Potomac management in August 2004. We learned that PBS had previously undertaken its own internal procurement review, had noted similar deficiencies, and was in the process of formulating corrective actions. For that reason, we refocused our audit efforts toward a more in-depth look at one of the seven orders, a task order issued to Versar, Inc. (Versar) in support of anthrax remediation. This task clearly met the criteria for unusual and compelling urgency (FAR 6.302-2); however, based upon our preliminary review, documentation appeared deficient. As refocused, this limited scope review offers a “lesson learned” applicable to future emergency procurements. It also points out several contract administration matters.

Objective, Scope and Methodology
The objective of our limited review was to assess whether the Versar task order was administered in accordance with procurement regulations. We included analyses of pre-award actions and post-award contract administration. To get a full history of the service procured, we also gathered information regarding the original contractor selected to perform anthrax remediation.

To accomplish the review objectives, we:

- Held an entrance conference with the Regional Administrator, including the Deputy Regional Administrator, Assistant Regional Administrator for Public Buildings Service, and Deputy Regional Counsel;
- Held discussions with the Public Buildings Service’s Contracting Officers, Project Manager, Safety and Occupational Health Specialist, and Budget Analysts;
- Held discussions with the Federal Supply Service Multiple Award Schedule Contracting Officer;
- Reviewed laws, regulations, policies and procedures relative to contract administration;
- Reviewed the terms and conditions of the Versar Federal Supply Schedule, Multiple Award Schedule (GS-00F-0007L);
- Reviewed the contract files for the Versar anthrax remediation task order, which included an examination of the task order, modifications, and statements of work; and
Conducted financial analysis of the Versar task order, where we:

- Determined the cumulative task order value;
- Queried the Financial Management Information System from FY 2002 to FY 2005, through 11/29/04;
- Obtained invoices from [www.finance.gsa.gov](http://www.finance.gsa.gov) to quantify total amount paid to Versar, Inc.;
- Obtained an understanding of project funding through Reimbursable Work Authorization and interagency fund transfer.

The review was conducted in accordance with generally accepted government auditing standards.
RESULTS OF REVIEW

Task Order History
In October 2001, Remote Delivery Site Building 410 at the Anacostia Naval Station was infected with anthrax, a malicious and potentially deadly attack testing GSA’s ability to respond to an emergency event with national security implications and concentrated media coverage. This Remote Delivery Site handled the mail for the Executive Office of the President (EOP) and other government agencies. Potomac Service Center (Potomac) initially contracted with KC Industries (KCI) for environmental remediation. The remediation effort soon grew too large for KCI to handle; KCI ceased working at the Remote Delivery Site in January 2002. Potomac paid $330,000 to KCI for remediation services.

During this period, other federal facilities were also dealing with anthrax contamination and remediation. The Environmental Protection Agency (EPA) recommended that GSA consider the cutting-edge vaporized hydrogen peroxide remediation method employed by Versar, Inc. Potomac awarded a task order to Versar on May 16, 2002 under Versar’s Federal Supply Schedule Multiple Award Schedule (MAS) contract. Although decontamination of the Remote Delivery Site was complete in October 2002, confirmatory testing and mail transport scope of work additions were made as late as June 2004.

Lesson Learned
This emergency requirement was accomplished under what appears to have been a fixed price task order initially valued at $900,674 and issued under Versar’s Federal Supply Service Multiple Award Schedule (MAS) contract. Subsequent modifications for the most part took the form of incremental time and materials (T&M) type tasks with no clear ceiling price. The MAS contract vehicle was arguably not an optimal choice from which to acquire an emerging technology under unfolding, urgent conditions. The schedule contracts are an expedient resource for acquisition of commercial goods and services, but do not provide a FAR compliant mechanism for pricing a substantial quantity of non-commercial or out-of-scope goods and services (see below for discussion of non-schedule items). In this instance, a cost reimbursable type contract with an audit provision would have better protected the interests of all parties. Pressure and time constraints imposed under emergency conditions can preclude such considerations, so the need for advance preparations is a lesson learned. We suggest that emergency response planning include consideration of acquisition issues such as selecting an appropriate contract type under crisis conditions.

Other Findings
Our review highlights a number of contract administration deficiencies, taking into account the extraordinary nature of this procurement action. To provide additional context, we have included a summary of task order activity and invoice payment history (Appendix A).

1 Although surface contamination was expected at the time of award, the building was actually contaminated throughout and required a complete fumigation. Additionally, GSA was answering to an independent industry committee, the Environmental Clearance Committee (ECC), which was developing anthrax remediation standards as the decontamination progressed.
Payments to Versar Exceeded Task Order Value
As of February 2005, GSA has paid Versar $3.73 million related to the anthrax remediation, which exceeds the documented task order modifications by nearly $1 million\(^2\). The task order value was ultimately modified to $2.79 million, funded through Reimbursable Work Authorizations (RWA) and interfund transfers from agencies affected by the contamination: Executive Office of the President (EOP), Department of Defense (DOD), and United States Postal Service (USPS). The sum of these RWAs and fund transfers was $4.17 million, which covered payments to both KCI and Versar. It is clear that Versar’s work beyond the original task order scope was both necessary and anticipated by GSA and the affected agencies, but the full extent of these additional services were not incorporated as changes to the contract. As a result, PBS lost the means to ensure that all payments to the contractor were for authorized activities at agreed upon prices.

No Price Reasonableness Determination for Non-Schedule Items
Sixty percent of the value of the original task order, approximately $537,970, was for items not on Versar’s schedule contract. Additionally, future modifications to the task order also included non-schedule items. The Federal Acquisition Regulation (FAR) Subpart 8.402(f) allows a contracting officer to add non-schedule items to a schedule task order only if the contracting officer has determined that the price for the non-schedule items is fair and reasonable. For this task order, the contracting officer made no determination of price reasonableness for the non-schedule items. Although we realize the procurement was made in an urgent and compelling situation, such a determination should still have been made. If such determination would have unreasonably delayed the acquisition, the file should have been documented after the fact to explain the circumstances and basis for non-schedule item pricing.

Versar Paid for Work Beyond Task Order Defined Period of Performance
Much of the work performed under the Versar task represents labor costs incurred outside the task order defined period of performance. The contract was not modified to incorporate all of the various scope of work and period of performance changes that occurred throughout the life of this task. The existing modifications define a period of performance that runs from May 16, 2002 thru December 15, 2002, and then an additional 14 days beginning June 9, 2004. As can be seen in Appendix A, Versar performed a substantial portion of work outside this period. As a result, an important control mechanism was defeated, introducing the potential of payment for unauthorized services.

Undated, Multiple Revisions to Statement of Work
The original statement of work outlining the vaporized hydrogen peroxide process Versar would employ was neither present in the contract file nor located by cognizant contracting and program officials. PBS has subsequently provided this statement of work after draft report issuance; it appears complete and adequate but was not present in the contract file at the time of our review. The earliest statement of work document on file or known by current contract administration personnel accompanied Modification PC03, which was effective 19 months after the start of the

\(^2\) In its response to the draft audit report, the region provided evidence that contract payments did not exceed authorized funding. This does not alter the observation that the underlying contract was never modified to reflect the full scope of changes.
contract. The modification adds $867,920, which appears to represent funding for work already performed. The attached SOW offered only a generic description of work in the form of several brief bullet statements, none of which appeared fully germane to the task at hand. The document also did not address the expired period of performance nor explained the reason for the additional funding. Modification PC06, issued six months later, included a significantly revised statement of work that addressed additional work to be completed during a newly established 14-day period of performance. PC06 is the only modification with relatively complete documentation. Still, as of the date of that modification, even with the additional funding provided, vendor payments exceeded the authorized contract value by over $400,000.

**Required Documentation Absent in Contract Files**

The Versar schedule contract calls for the development of a Request for Quote (RFQ) for all task orders exceeding $2,500. This RFQ must be sent to three schedule holders to promote competition. Due to the urgent and compelling nature of this requirement, Potomac did not develop an RFQ but rather issued a sole source award to Versar. FAR Subpart 6.302-2 allows for other than full and open competition in such a situation, with justification, which can be prepared after task order award if such a process would unreasonably delay the urgent procurement. During our review, the justification was not present within the contract files nor acknowledged by the existing contracting officer as to the rationale for the need to procure with Versar. PBS has subsequently located a copy of the signed justification, which appears adequate.

A similar logic holds with the Office of Governmentwide Policy’s (OGP) requirement for acquisition planning. Although a written acquisition plan may not be feasible in the case of an emergency, OGP requires that an oral acquisition plan be developed with a written summary, noting the nature of the urgency, included in the contract file. This documentation may be completed after task order award if such a process would delay an urgent procurement. The contract file contained no evidence of an acquisition plan.

**For Consideration**

It may be useful to incorporate a standardized checklist for contracting officers to complete prior to task order award. The checklist could include a confirmation that contracting officers have:

a. Prepared an acquisition plan;
b. Verified that services ordered are related to the contract selected;
c. Determined price reasonableness;
d. Written detailed statements of work with performance metrics;
e. Prepared detailed task order modifications when necessary;
f. Included determination and findings and not-to-exceed amounts for time-and-materials orders; and
g. Included explanation of solicitation method or justification for sole source award.
**Recommendation**

We recommend that the Assistant Regional Administrator for Public Buildings Service, National Capital Region:

- Task a team of program experts and procurement officers to create a template acquisition plan applicable to emergency acquisitions. Discussion should include evaluation of alternative contract types, funding options, documentation requirements, project cost management, vendor’s cost reporting responsibilities, etc.

**Management’s Comments**

PBS NCR was provided the opportunity to respond to the draft report and agreed with three of five review findings as presented. PBS NCR’s response provided the original task order statement of work, a document that was not available in the contract files during our review. PBS NCR takes exception with the review’s finding regarding payments to Versar exceeding task order value. Our review finding has not been altered based on PBS NCR’s response, as the task order itself was never modified to the $3.73 million value that PBS NCR refers to. Finally, PBS NCR agrees with the review recommendation and is taking steps to prepare for potential emergency procurements.

**Management Controls**

We evaluated the management controls in effect over administration of the Versar, Inc. task order awarded by the Potomac Service Center. The related management control issues are discussed in the context of the limited review findings and recommendation provided. We have concluded that enacting the recommendation in this report should enhance the management control structure and the effectiveness and efficiency of the division’s operations.
### Task Order History

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<tr>
<th>Date</th>
<th>Action</th>
<th>Comment</th>
<th>Amount</th>
<th>Balance</th>
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<td>Task order awarded</td>
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<td>$900,674</td>
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<td>7/12/02</td>
<td>Initial PoP expires</td>
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<td>10/23/02</td>
<td>Modification PC01</td>
<td>Added funding and tasks; PoP extended to 12/15/02.</td>
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<td>$1,525,674</td>
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<td>Invoice paid</td>
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<td>$867,920</td>
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<td>12/23/03</td>
<td>Modification PA04</td>
<td>Changed Contracting Officer</td>
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<td>($288,621)</td>
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<td>3/4/04</td>
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<td>Invoice paid</td>
<td>Work beyond defined PoP</td>
<td>($14,239)</td>
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Total authorized contract value: $2,790,594
Total payments for work within defined PoP: $1,735,204
Total payments for work beyond defined PoP: $1,990,058
Total payments in excess of contract value: $934,668
Page 1

March 25, 2005

MEMORANDUM FOR PAUL J. MALATINO
REGIONAL INSPECTOR GENERAL FOR AUDITING
WASHINGTON FIELD OFFICE (JA-W)

FROM: DONALD C. WILLIAMS
REGIONAL ADMINISTRATOR (WA)

SUBJECT: Limited Review of Contract Administration
Task Order Number P1103MAC0249
Report Number A040089

Attached for your review is the PBS response to the subject draft report prepared by the
Washington Field Audit Office (JA-W).

If you have any questions or concerns about this PBS response, please contact me at
(202) 708-9100.

Attachment
APPENDIX B

Management’s Response to Draft Report

Other Findings

Payments to Versar Exceeded Task Order Value:

We agree that not all obligating documents were processed in a timely manner. The emergency nature of the procurement does not obviate the Government’s responsibility to incorporate services beyond the task order amount as changes to the contract. As a follow-up to this finding, we reviewed GSA’s financial system as of February 15, 2005, and found that the value of the task orders ($3,729,368) was approximately $4,000 more than the payments made to Versar ($3,725,261). A review of a recent financial open items report, copy enclosed, shows seven separate line items (1 original obligation and 6 modifications) which equate to the $3.7 million obligated for this contract. Therefore it appears that not all obligations were considered when this finding was formulated.

No Price Reasonableness Determination for Non-Schedule Items:

We agree with the finding as presented because a price reasonableness determination for nonscheduled items was not documented in the contract file. As earlier noted, we might have avoided the problem by not obtaining Versar’s services via MAS. However, the project manager indicated that all modifications were negotiated and the price was determined fair and reasonable prior to the award of any modifications. Versar’s proposals were carefully analyzed and reviewed against in-house estimates.

Versar Paid for Work Beyond Task Order Defined Period of Performance:

We agree with the finding. The period of performance was extended with the issuance of each modification, however, the language in the modification failed, in some cases, to include the revised completion date agreed upon during negotiations.

Incomplete Statement of Work:

After further review of our records, we located the original scope of work (SOW). The SOW is specific and detailed. The original scope of work was issued with the contract. We are enclosing a copy of the original SOW with this response.

Required Documentation Absent in Contract Files:

We agree with the finding. Even though it was not immediately available in the file, the justification for other than full and open competition was prepared and signed by the Contracting Officer on March 6, 2002.
APPENDIX B

Management's Response to Draft Report

For Consideration

"It may be useful to incorporate a standardized checklist for contracting officers...."

We certainly intend to look at our procurement checklists in the light of this review in order to determine their applicability to emergencies. In a non-emergency situation, we do have standardized checklists for contracting officials.

We are also appending to the standardized checklists guidance to contracting officials on things to be aware of when procuring in emergencies. Prominent will be (a) selecting a vehicle consistent with the degree of expediency required, but with careful attention to documentation requirements and (b) ensuring that documentation gets done – by cuff records on the spot and follow-up with more formal documentation later, if necessary. In addition, we envision creating and continually updating a listing of vendors providing emergency services, as noted in our response to the Recommendation, below.

Recommendation

"Task a team of program experts and procurement officers to create a template acquisition plan applicable to emergency acquisitions...."

We agree with the Recommendation.

PBS, NCR has under way an effort to construct a plan for responding to emergencies. As part of this effort, a comprehensive listing of vendors providing emergency services has been created. This list will be centrally maintained and continually updated as the region gains emergency planning experience. The time that can be saved pinpointing suitable vendors should be a substantial factor in decreasing the documentation difficulties that were such a significant part of the findings of this review.

As noted earlier, we will review our procurement checklists and augment them for additional usefulness in emergency situations. It may be useful to incorporate, in their entirety, Sections 6.302-2 through 6.304 of the FAR, governing procurements of "unusual and compelling urgency" and the required justifications and approvals, into any aspect of regional emergency guidance (for example, the NCR COOP) expected to be accessed by regional officials in emergency situations.

Whatever other steps are taken, this review points up once again the importance of placing more emphasis on informally documenting our procurement actions and the events that transpire while procuring goods and services in an
Emergency, so that the formal after-action documentation frequently allowed by the FAR can be efficiently accomplished after the emergency has passed. PBS, NCR will take necessary steps to ensure that all contracting officials remain cognizant of this requirement.
## Management’s Response to Draft Report

Versar Contract Activity, ACT # P0265709

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APPENDIX C

Report Distribution

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